

Message Text

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42

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01 NSC-10

SS-20 STR-08 CEA-02 DODE-00 PM-07 H-03 L-03 PA-04

PRS-01 USIA-15 DRC-01 FEA-02 INT-08 SCI-06 AGR-20

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6749

INFO AMEMBASSY BONN

AEMBASSY BRUSSELS 9342

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS UNN

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TAGS: EFIN, FR

SUBJECT: FRENCH ECONOMICS MINISTER ON CURRENT ECONOMIC AND FINANCIAL
TOPICS

INLONG INTERVIEW PUBLISHED IN FEB 11 EDITION OF PARIS INTERNA-
TIONAL HERALD TRIBUNE, ECONOMICS AND FINANCE MINISTER GISCARD
D'ESTAING PRESENTED HIS VIEWS ON WIDE RANGE OF TOPICS INCLUDING
FRANC FLOAT, EUROPEAN MONETARY COOPERATION, FRENCH ECONOMIC
OUTLOOK IN 1974, EFFORTS TO INCREASE FRENCH EXPORTS AND REDUCE
TRADE DEFICIT, MONETARY REFORM NEGOTIATIONS AND GOLD PRICE.
FULL TEXT FORWARDED UNDER COVER OF PARIS A-96. FOLLOWING HIGHLIGHTS.
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2. GISCARD REJECTED THESIS OF IHT INTERVIEWER THAT FRANCE'S EFFORTS TO TRADE MILITARY EQUIPMENT FOR OIL, ITS WITHDRAWAL FROM JOINT EUROPEAN FLOAT AND ITS LARGE EXTERNAL BORROWING REPRESENTED A "GO-IT-ALONE" POLICY AND A BLOW AT INTERNATIONAL ECONOMIC COOPERATION. HE PRODUCED FAMILIAR ARGUMENTS THAT OTHER COUNTRIES HAD FLOATED THEIR CURRENCIES BEFORE FRANCE, HAD LIKEWISE BEEN HEAVY BORROWERS ON INTERNATIONAL CAPITAL MARKET, AND WERE ALSO MAKING BILATERAL DEALS WITH OIL PRODUCERS. HE SAID FRANCE WAS READY TO COOPERATE, "BUT AS LONG AS INTERNATIONAL COOPERATION HAS NO PRACTICAL RESULTS -- AND ONE MUST ADMIT THAT THESE PRACTICAL RESULTS ARE CURRENTLY LIMITED -- IT IS NATURAL THAT WE GUIDE OUR ECONOMY, AS ALL OTHER COUNTRIES ARE DOING."

2. ON FRENCH ECONOMIC OUTLOOK, GISCARD REPEATED GOVT'S FORECAST THAT REAL GROWTH IN 1974 WOULD BE ABOUT 4 OR 4.5 PERCENT. HE THOUGHT OFFICIAL ESTIMATES OF BALANCE-OF-PAYMENTS DEFICIT WERE "RATHER PESSIMISTIC," GIVEN CURRENT EXPORT TREND AND LIKELIHOOD OF SOME DECREASE IN ENERGY CONSUMPTION. HE ADMITTED FRENCH PRICES WOULD RISE BY AROUND 10 PERCENT THIS YEAR, BUT CALLED 12.5 PERCENT FORECAST OF PARIS CHAMBER OF COMMERCE "COMPLETELY OUT OF LINE." SAW SOME INCREASE IN UNEMPLOYMENT, BUT "NO MAJOR CHANGE."

3. GISCARD AGAIN CALLED FOR REORIENTATION OF FRENCH FOREIGN TRADE AWAY FROM EUROPEAN COUNTRIES AND TOWARDS EASTERN BLOC, OIL PRODUCERS AND NORTH AMERICA. SAID THIS WOULD BE DONE BY "USING ALL POSSIBLE INCENTIVES," BUT NO "ARTIFICIAL MEANS." ONLY SPECIFIC MEASURE CITED WAS CREDIT INSURANCE POLICY FOR EXPORTERS.

4. ASKED WHETHER OR NOT FRANCE WOULD REALLY RETURN TO JOINT EUROPEAN FLOAT IN JULY, GISCARD WAS CAUTIOUS. HE SAID WHAT FRANCE PROPOSED WAS TO REEXAMINE SITUATION WITH ITS EUROPEAN PARTNERS IN SIX MONTHS TO DETERMINE WHAT WAS POSSIBLE. JOINT MONETARY ACTION BY EC DID NOT NECESSARILY HAVE TO INVOLVE "SNAKE" TECHNIQUE. FOR EXAMPLE, GOAL OF JOINT INTERVENTION COULD BE SIMPLY TO MAINTAIN ORDERLY MARKETS RATHER THAN SYSTEMATIC LIMITATION ON FLUCTUATIONS AMONG EUROPEAN CURRENCIES. IN REPLY TO FLAT QUESTION FROM INTERVIEWER. GISCARD SAID IT WOULD BE PREMATURE TO PREDICT RETURN OF FRANC TO JOINT FLOAT IN JULY.

5. WHILE MAINTAINING THAT AGREEMENT IN PRINCIPLE ON MONETARY REFORM
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WAS STILL POSSIBLE, GISCARD SAID OIL CRISIS HAD AFFECTED CHARACTER OF REFORM. WITH RECOVERY FO U.S. BALANCE OF PAYMENTS, AMERICANS NOW HAD TO BE MORE CONCERNED BY RISK OF DEVALUATION OF OTHER CURRENCIES AGAINST DOLLAR AND WOULD, THEREFORE, BE LESS IN FAVOR OF FLEXIBILITY. SECONDLY, IT WOULD BE MORE DIFFICULT TO RESTORE CONVERTIBILITY, BECAUSE

PETROLEUM EXPORTING NATIONS WOULD SEEK TO PRESERVE GREAT AMOUNT OF FREEDOM AS TO WHAT THEY DID WITH THEIR PAYMENTS SURPLUSES.

6. GISCARD LOOKED FOR EUROPEANS TO REACH UNDERSTANDING DURING 1974 ON VALUATION OF GOLD FOR INTRA-EUROPEAN SETTLEMENTS. HE SAID THAT VALUATION COULD NOT BE "THE PRICE OF A RATHER NARROW MARKET, WHICH IS NOT FULLY REPRESENTATIVE, " BUT WOULD HAVE TO BE "A PRICE DRIVEN FROM THE MARKET, I.E., A PRICE WHICH PROCESS BY A MODERATE AND REALISTIC EVALUATION, ON THE BASIS OF MARKET INDICATIONS."
IRWIN

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